

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Greenwood Township	County Wexford
Fiscal Year End March 31, 2007	Opinion Date May 17, 2007	Date Audit Report Submitted to State September 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Communication of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 West Harris Street		City Cadillac	State Zip MI 49601
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	
		License Number 1101023146	

**GREENWOOD TOWNSHIP, WEXFORD COUNTY**

**MANTON, MICHIGAN**

**MARCH 31, 2007**

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MARCH 31, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-19
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	20
<b>Individual Fund Financial Statements</b>	
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	21
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	22
<u>Fire Fund</u>	
Balance Sheet	23
Schedule of Revenues, Expenditures and Changes In Fund Balance	24
<b>Agency Fund</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	25
<b>Other Information</b>	
Statement of 2006 Tax Roll	26-27

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

May 17, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Greenwood Township  
Manton, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenwood Township, Manton, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Greenwood Township, Manton, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greenwood Township, Manton, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Greenwood Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Greenwood Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$294,928. Of this amount, \$213,068 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$211,884.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2007.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide financial statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township are governmental funds.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$294,928 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Greenwood Township**  
**Net Assets as of March 31, 2007**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 222,166
Non Current Assets	
Capital Assets	110,113
Less: Accumulated Depreciation	<u>(33,767)</u>
Total Non Current Assets	<u>76,346</u>
<b>Total Assets</b>	<b><u><u>\$ 298,512</u></u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 3,584</u>
<b>Net Assets</b>	
Invested in Capital Assets	76,346
Restricted for Specific Purposes	5,514
Unrestricted	<u>213,068</u>
<b>Total Net Assets</b>	<b><u>294,928</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 298,512</u></u></b>

The most significant portions of the Township's Net Assets are cash and investments.

At the end of the current fiscal year, the Township is able to report positive balance in net assets for the government as a whole.

The total net assets of the Township increased by \$30,183 in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Greenwood Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2007**

**Revenues**

**Program Revenues**

Charges for Services	\$ 2,660
Operating Grants and Contributions	2,323

**General Revenues**

Taxes	39,515
State Grants	37,339
Interest Earnings	2,535
Other	5,132

<b>Total Revenues</b>	<u>89,504</u>
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**Expenses**

Legislative	5,963
General Government	32,500
Public Safety	14,222
Other Functions	6,636

<b>Total Expenses</b>	<u>59,321</u>
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Change in Net Assets	30,183
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NET ASSETS - Beginning of Year	<u>264,745</u>
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NET ASSETS - End of Year	<u><u>\$ 294,928</u></u>
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**Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$30,183 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$32,500 of total expenses. Public Safety expenses represented the next largest expense at \$14,222 followed by other functions at \$6,636.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Greenwood Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Greenwood Township's governmental funds reported combined ending fund balances of \$218,582. \$211,884 of this total amount constitutes unreserved fund balance. The remainder of the fund balance is reserved for prepaid expenditures, and telecommunications right of way maintenance.

**General Fund** – The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance were \$211,884 and \$218,582 respectively. The fund balance of the Township's general fund increased by \$28,353 during the current fiscal year.

**Fire Fund** – The township did once again levy a fire millage on the 2006 tax roll.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$76,346 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 2.46%.

Capital assets summarized below include any items purchased with a cost greater than \$250 individually. A summary of capital asset categories is illustrated below:

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

*Greenwood Township*  
*Capital Assets as of March 31, 2007*

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 660
Buildings	45,425
Building Improvements	46,480
Machinery and Equipment	17,548
	<hr/> 110,113
Less Accumulated Depreciation	<hr/> (33,767)
<b>Net Capital Assets</b>	<hr/> <b>\$ 76,346</b> <hr/>

Major capital asset events during the fiscal year included the following:

- ◆ Township remodeled bathroom and repaired township hall floor for \$6,084.

**Long-Term Debt.** As of March 31, 2007, the Township had no outstanding debt.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

A fire millage was once again levied for the 2006 tax roll. The mills to be levied for the 2007 tax roll for fire protection are expected to be similar to 2006.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Greenwood Township at P.O. Box 117, Manton, Michigan 49663.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 204,620
Receivables	
External Parties (Fiduciary Funds)	1,572
Due from Other Governments	9,286
Taxes	5,504
Prepaid Expenses	<u>1,184</u>
 Total Current Assets	 <u>222,166</u>
 <u>CAPITAL ASSETS</u>	
Land and Land Improvements	660
Buildings	45,425
Building Improvements	46,480
Equipment, Furniture and Fixtures	<u>17,548</u>
	110,113
Less Accumulated Depreciation	<u>(33,767)</u>
Net Capital Assets	<u>76,346</u>
 TOTAL ASSETS	 <u><u>\$ 298,512</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 134
Payroll Withholdings	579
Due to Other Governments	<u>2,871</u>
 Total Current Liabilities	 <u>3,584</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	76,346
Restricted for Specific Purposes	5,514
Unrestricted	<u>213,068</u>
 TOTAL NET ASSETS	 <u><u>\$ 294,928</u></u>

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

					NET (EXPENSE) REVENUES AND CHANGE IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTALS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 5,963	\$ 0	\$ 0	\$ 0	\$ (5,963)
General Government	32,500	2,660	0	0	(29,840)
Public Safety	14,222	0	0	0	(14,222)
Public Works	0	0	2,323	0	2,323
Other Functions	6,636	0	0	0	(6,636)
Total Governmental Activities	<u>\$ 59,321</u>	<u>\$ 2,660</u>	<u>\$ 2,323</u>	<u>\$ 0</u>	<u>(54,338)</u>
<u>GENERAL REVENUES</u>					
					39,515
					37,339
					2,535
					5,132
					84,521
					30,183
					264,745
					\$ 294,928

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2007

	GENERAL FUND	FIRE FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 204,620	\$ 0	\$ 204,620
Due from Other Funds	1,572	321	1,893
Due from Other Governments	9,286	0	9,286
Taxes Receivable	2,954	2,550	5,504
Prepaid Expenditures	1,184	0	1,184
TOTAL ASSETS	<u>\$ 219,616</u>	<u>\$ 2,871</u>	<u>\$ 222,487</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 134	\$ 0	\$ 134
Payroll Withholdings	579	0	579
Due to Other Funds	321	0	321
Due to Other Governments	0	2,871	2,871
Total Liabilities	<u>1,034</u>	<u>2,871</u>	<u>3,905</u>
<u>FUND BALANCE</u>			
Reserved for:			
Prepaid Expenditures	1,184	0	1,184
Telecommunications Right of Way Maintenance	5,514	0	5,514
Unreserved			
Undesignated	211,884	0	211,884
Total Fund Balance	<u>218,582</u>	<u>0</u>	<u>218,582</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 219,616</u>	<u>\$ 2,871</u>	<u>\$ 222,487</u>

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$ 218,582
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	660	
Buildings	45,425	
Building Improvements	46,480	
Equipment, Furniture and Fixtures	17,548	
Accumulated Depreciation	(33,767)	76,346
		<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 294,928</u>
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The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 25,293	\$ 14,222	\$ 39,515
State Grants	39,662	0	39,662
Charges for Services	2,485	0	2,485
Interest and Rents	2,710	0	2,710
Other Revenues	5,132	0	5,132
Total Revenues	75,282	14,222	89,504
<u>EXPENDITURES</u>			
Legislative	5,963	0	5,963
General Government	34,330	0	34,330
Public Safety	0	14,222	14,222
Other Functions	6,636	0	6,636
Total Expenditures	46,929	14,222	61,151
Excess (Deficiency) of Revenues Over Expenditures	28,353	0	28,353
<u>FUND BALANCE</u> - Beginning of Year	190,229	0	190,229
<u>FUND BALANCE</u> - End of Year	\$ 218,582	\$ 0	\$ 218,582

The accompanying notes are an integral part of the financial statements.



GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 28,353
Amounts reported for governmental activities are different because: Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	6,084
Depreciation Expense	<u>(4,254)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 30,183</u>

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2007

	<u>ASSETS</u>	<u>AGENCY</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 1,572
<u>LIABILITIES</u>		
Due to Other Funds		\$ 1,572

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Greenwood Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Greenwood Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Additionally Greenwood Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

I. The Township authorized the Township Treasurer to invest funds as follows:

- a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. In repurchase agreements consisting of instruments listed in subdivision (a).
- e. In bankers' acceptances of United States banks.
- f. In obligations of this state or any of its political subdivisions that at the time of purchase are rates as investment grade by not less than 1 standard rating service.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

- g. In mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
  - h. In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 125.501 to 124.512.
  - i. In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- II. A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- III. Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- IV. As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

The 2006 taxable valuation of the Greenwood Township totaled \$14,240,750 on which ad valorem taxes levied consisted of 0.8349 mills for the Greenwood Township operating purposes, and 1.0 mills for Greenwood Township fire protection. These levies raised approximately \$11,876 for operating purposes and \$14,222 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$250 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	50
Land and Building Improvements	20
Infrastructure	20
Vehicles	10
Equipment, Furniture and Fixtures	5-10

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 30, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not



GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Citizens Bank and Chemical Bank in Manton and Cadillac, Michigan, respectively.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, \$123,624 of the government's bank balance of \$206,792 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Fire	Total
Receivables			
Taxes	\$ 2,954	\$ 2,550	\$ 5,504
Due from Other Governments	9,286	0	9,286
	<u>\$ 12,240</u>	<u>\$ 2,550</u>	<u>\$ 14,790</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**B. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated				
Buildings	\$ 45,425	\$ 0	\$ 0	\$ 45,425
Building Improvements	40,396	6,084	0	46,480
Land Improvements	660	0	0	660
Machinery and Equipment	17,548	0	0	17,548
Total capital assets, being depreciated	<u>104,029</u>	<u>6,084</u>	<u>0</u>	<u>110,113</u>

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	3,483	908	0	4,391
Building Improvements	15,415	2,248	0	17,663
Land Improvements	231	33	0	264
Machinery and Equipment	10,384	1,065	0	11,449
Total accumulated depreciation	29,513	4,254	0	33,767
Total capital assets, being depreciated, net	\$ 74,516	\$ 1,830	\$ 0	\$ 76,346

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	<u>\$ 4,254</u>
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2007, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 1,572	\$ 321
Fire Fund	321	0
Fiduciary Funds		
Current Tax Collection	0	1,572
	<u>\$ 1,893</u>	<u>\$ 1,893</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**E. Long-Term Debt**

There are no long-term debts outstanding at March 31, 2007.

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Prepaid Expenditures	\$ 1,184
Telecommunications Right of Way Maintenance	<u>5,514</u>

TOTAL FUND BALANCE RESERVES	<u><u>\$ 6,698</u></u>
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**IV. OTHER INFORMATION**

**A. Joint Fire District**

The Township is a member of the Colfax-Greenwood Fire Department. The Fire Department is a joint venture of Colfax and Greenwood Townships created to provide fire protection for the member townships. Greenwood Township levies millage to support the Fire Department. The following financial information was taken from the Fire Department's March 31, 2007 audited financial statements.

Total Net Assets	155,119
Invested Capital Assets	100,275
Fund Balance - Unreserved	52,154
Fund Balance - Reserved for:	
Prepaid Expenditures	2,690
Total Revenues	40,350
Total Expenditures	29,571
Net Increase in Fund Balance	10,779

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

A copy of these audited financial statements may be obtained upon request from the Fire District treasurer.

**B. Retirement Plan**

The Township has a money purchase pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement date is age 65, or if age 61 or older at entry, at the completion of five years of plan participation.

The formula for determining contributions is based on an employee's annual compensation. The Township contributes 6% of annual compensation and the employees contribute 6% of annual compensation. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

For 2006-2007, covered wages were \$1,200 and total wages for all employees including noncovered payroll were \$15,407. Township contributions to the plan for 2006-2007 amounted to \$72 and employees contributed \$72. In addition, the Township paid a \$150 administrative fee.

**C. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**D. Related Party**

The Township Treasurer and Clerk are directly related to each other.

**E. Property Tax Administration Fee**

The Township passed a resolution to charge a 1% administration fee on all summer and winter ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**F. Insurance Recoveries**

The township's insurance company has indicated that the necessary repairs resulting from water damage in the township hall is covered by insurance. As a result, the Township has recognized \$4,893 in insurance recoveries resulting from that incident.

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 17,296	\$ 17,296	\$ 25,293	\$ 11,351	\$ 11,351	\$ 14,222
State Grants	38,744	38,744	39,662	0	0	0
Charges for Services	2,000	2,000	2,485	0	0	0
Interest and Rents	1,000	1,000	2,710	0	0	0
Other Revenues	320	320	5,132	0	0	0
Total Revenues	59,360	59,360	75,282	11,351	11,351	14,222
<u>EXPENDITURES</u>						
Legislative	8,400	8,400	5,963	0	0	0
General Government						
Supervisor	3,825	3,825	3,742	0	0	0
Assesor	7,000	7,000	6,632	0	0	0
Election	2,000	2,000	1,752	0	0	0
Clerk	3,300	3,300	4,698	0	0	0
Board of Review	2,000	2,000	1,191	0	0	0
Treasurer	5,893	5,893	4,351	0	0	0
Building and Grounds	13,500	13,500	9,889	0	0	0
Cemetery	5,000	5,000	2,075	0	0	0
Public Safety						
Fire Protection	0	0	0	11,351	11,351	14,222
Other Functions	6,900	6,900	6,636	0	0	0
Contingency	4,423	4,423	0	0	0	0
Total Expenditures	62,241	62,241	46,929	11,351	11,351	14,222
Excess (Deficiency) of Revenues Over Expenditures	(2,881)	(2,881)	28,353	0	0	0
<u>FUND BALANCE</u> - Beginning of Year	182,909	182,909	190,229	0	0	0
<u>FUND BALANCE</u> - End of Year	\$ 180,028	\$ 180,028	\$ 218,582	\$ 0	\$ 0	\$ 0

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 126,140
Savings Account	57,001
Certificate of Deposit	21,479
Due from Other Funds	1,572
Due from Other Governments	9,286
Taxes Receivable	2,954
Prepaid Expenditures	1,184
	<hr/>
TOTAL ASSETS	\$ 219,616

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 134
Payroll Withholdings	579
Due to Other Funds	321
Total Liabilities	<hr/> 1,034

FUND BALANCE

Reserved for:	
Prepaid Expenditures	1,184
Telecommunications Right of Way Maintenance	5,514
Unreserved	
Undesignated	211,884
Total Fund Balance	<hr/> 218,582

TOTAL LIABILITIES AND FUND BALANCE	\$ 219,616
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GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007

	BUDGET	ACTUAL
<u>REVENUES</u>		
Taxes	\$ 17,296	\$ 25,293
State Grants	38,744	39,662
Charges for Services	2,000	2,485
Interest and Rents	1,000	2,710
Other Revenues	320	5,132
Total Revenues	59,360	75,282
<u>EXPENDITURES</u>		
Legislative		
Township Board	8,400	5,963
General Government		
Supervisor	3,825	3,742
Assessor	7,000	6,632
Election	2,000	1,752
Clerk	3,300	4,698
Board of Review	2,000	1,191
Treasurer	5,893	4,351
Building and Grounds	13,500	9,889
Cemetery	5,000	2,075
Other Functions	6,900	6,636
Contingency	4,423	0
Total Expenditures	62,241	46,929
Excess of Revenues Over (Under) Expenditures	(2,881)	28,353
<u>FUND BALANCE</u> - Beginning of Year	182,909	190,229
<u>FUND BALANCE</u> - End of Year	\$ 180,028	\$ 218,582

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2007

ASSETS

Taxes Receivable	\$ 2,550
Due from Other Funds	<u>321</u>
 TOTAL ASSETS	 <u><u>\$ 2,871</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 2,871
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<u>FUND BALANCE</u>	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,871</u></u>
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GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Taxes	\$ 14,222
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EXPENDITURES

Public Safety	
Fire Protection	
Aid to Other Government	
Colfax-Greenwood Fire Department	<u>14,222</u>

Excess of Revenues	
Over (Under) Expenditures	0

<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 0</u></u>
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GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2007

	BALANCE			BALANCE
	4/1/2006	ADDITIONS	DEDUCTIONS	3/31/2007
<hr/>				
<u>ASSETS</u>				
Cash				
Money Market Account	\$ 3,051	\$ 598,322	\$ 599,801	\$ 1,572
	<hr/>			
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 2,271	\$ 2,271	\$ 0
Due to Other Funds	3,051	28,432	29,911	1,572
Due to Other Governments	0	437,195	437,195	0
TOTAL LIABILITIES	<hr/> \$ 3,051	<hr/> \$ 467,898	<hr/> \$ 469,377	<hr/> \$ 1,572

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County	\$	147,293	
County - State Education Tax		85,346	
Township			
Operating		11,876	
Fire		14,222	
Schools			
Kingsley Area Schools		24,668	
Manton Consolidated Schools		135,137	
Mesick Consolidated Schools		12,039	
Intermediate Schools			
Wexford-Missaukee		65,491	
Traverse Bay Area		9,421	
			\$ 505,493

TAXES COLLECTED

County	\$	125,096	
County - State Education Tax		75,656	
Township			
Operating		9,746	
Fire		11,672	
Schools			
Kingsley Area Schools		19,079	
Manton Consolidated Schools		111,984	
Mesick Consolidated Schools		8,126	
Intermediate Schools			
Wexford-Missaukee		53,899	
Traverse Bay Area		7,656	
			422,914

GREENWOOD TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES RETURNED DELINQUENT

County	\$	22,197	
County - State Education Tax		9,690	
Township			
Operating		2,130	
Fire		2,550	
Schools			
Kingsley Area Schools		5,589	
Manton Consolidated Schools		23,153	
Mesick Consolidated Schools		3,913	
Intermediate Schools			
Wexford-Missaukee		11,592	
Traverse Bay Area		1,765	
			<u>\$ 82,579</u>

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

May 17, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Greenwood Township  
Wexford County  
Manton, Michigan

As a result of our audit of the basic financial statements of Greenwood Township for the year ended March 31, 2007, we would like to note the following items:

#### Budgeting

Pertaining to the Township's compliance with Public Acts 621 of 1978, one activity in the General Fund and the Fire Fund exceeded budgeted appropriations. The budget should be amended for any disbursements above budgeted appropriations prior to the disbursement being made.

#### Reconciliations of Clerk and Treasurers Ledger

The Treasurer and Clerk are comparing their checking accounts with each other, which is an improvement since our last audit, however, the savings account and certificates of deposit are not being updated with the general ledger for interest earned. By the Clerk and Treasurer comparing balances each month, these differences can be corrected timely.

#### Payroll Tax and Reporting Compliance

We have noticed improvements in this area since our last audit, however continued care must be taken to ensure timely, correct reporting, and remittance of tax. During the year we noted certain instances of incorrect and untimely filings.

#### Recordkeeping Related to Paid Invoices

While reviewing certain expenditures we noticed a few small dollar amount transactions that we could not locate an invoice for. This appeared to be isolated in nature. We recommend that the board verify when approving invoices for payment that appropriate documentation is on hand for review and is filed in the townships records.

### Property Tax Administration Fee

The Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs so the board can pass a motion to write off the loss annually.

We would like to thank the board for its continued confidence in our firm and thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*



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**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

May 17, 2007

To the Township Board  
Greenwood Township  
Wexford County  
Manton, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenwood Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Greenwood Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control that we consider to be material weaknesses, as defined above. We identified the following deficiencies in internal control that we consider to be significant deficiencies.

## 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

## 2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basic Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal control over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We believe the significant deficiency described in (1) above (Lack of Segregation of Duties) is a material weakness.

This report is intended solely for the information and use of the Township Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*